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ABSTRACT

Due to state revenue shortfalls and mandated Medicaid and welfare expenditures, substantial cuts were made in state aid to higher education institutions in Maryland in 1992. To meet the fiscal crisis, Prince George's Community College (PGCC) implemented several cost containment measures that had been considered, but not acted upon, in the past. These included freezes on hiring and equipment purchases and the elimination of all conference travel, professional development and training events. An employee furlough plan was implemented, with 12-month employees losing 7 days, and 10-month employees losing 5. Additionally, an Instructional Services Fee (IFS) was implemented in spring 1992 to replace 271 separate student fees, raising revenue for the school through a system of three fee levels based on the expense of offering given courses. In 1993, three additional strategies were implemented to ensure that PGCC would meet its widening deficits. The first strategy was administrative reorganization, in which seven administrative positions were abolished (representing a 17% decrease) through combining divisions or offices within the school. The second strategy was a voluntary resignation incentive program offered to employees with a minimum of 20 years of service. Seventeen (10%) of those eligible applied and were approved. The third strategy involved cost savings through downsizing efforts, including eliminating vacant positions from the operating budget and reducing hours of operation, and resulted in the elimination of 17 full-time and 10 part-time classified staff positions. (MAB)

No Pain, No Gain:
How One College Emerged Stronger from the Fiscal Crisis

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Unless challenged, every organization tends to become slack, easygoing, diffuse. It tends to allocate resources by inertia and tradition rather than results. Above all, every organization tends to avoid unpleasantness. And nothing is less pleasant and less popular than to concentrate resources on results, because it always means saying "No."

Peter Drucker

Introduction

Historically, Prince George's Community College (PGCC) has been among the most cost-efficient community colleges in Maryland. Its overall cost per student has consistently been among the lowest in the state, a situation forced upon the College due to comparatively low levels of county support. According to past state guidelines, community colleges in Maryland were to receive 50 percent of their revenues from the state, 28 percent from their local jurisdiction, and 22 percent from students. The actual proportions have deviated from these guidelines. Statewide, the 16 locally-governed community colleges received 27 percent of their FY92 funding from the state, 37 percent from their respective counties, 35 percent from students, and 2 percent from other sources. Prince George's County contributed 26 percent of PGCC's budget in FY92. An analysis of county support for community colleges in Maryland found that, by most measures, PGCC received about half the level of local aid that peer colleges in neighboring jurisdictions received (Clagett, 1992).

Largely because of the above situation, PGCC was hit especially hard by the state fiscal crisis of the early 1990s. State revenue shortfalls, combined with mandated Medicaid and welfare expenditures, led to substantial cuts in state aid to higher education institutions in Maryland. The impact on PGCC was felt through three consecutive years of mid-year state funding reversions:

Direct State Aid to PGCC			
Year	Budgeted	Reversion	Received
FY90	$11,367,820	$0	$11,367,820
FY91	11,679,772	822,912	10,856,860
FY92	11,583,160	2,768,655	8,814,505
FY93	11,588,980	1,038,258	10,550,722

In addition, in FY92 the state contribution to FICA and employee retirement systems for PGCC employees was cut nearly $1 million. The college had to fund this shortfall.

As can be seen from the above table, the major budget hit took place in fiscal year 1992. The state funding reversion for that year consisted of a nearly one-fourth reduction in direct aid, plus a similar reduction in the state's contribution to college FICA and retirement systems. This resulted in an effective 33 percent cut in state assistance to PGCC, as the College had to make up the cut in the FICA/retirement contribution. In dollars, the total cut amounted to nearly $3.8 million, or ten percent of the College's total budget of $38.4 million. In addition to the state aid cut, the County eliminated a planned $1.1 million dollar increase in aid to PGCC, providing the College with the same local aid in FY92 that it had received in FY91.

Meeting the Revenue Shortfalls

To meet the immediate FY92 crisis, the College implemented several cost containment measures. These included a freeze on hiring, elimination of all conference travel, elimination of all professional development and training, and a freeze on all equipment purchases. Only essential purchases of supplies and materials in direct support of instruction or safeguarding life and property were permitted.

An employee furlough plan was implemented. Twelve-month employees were furloughed seven days, and ten-month employees were furloughed five days. Employees lost an average of $1,000 each in wages, with the pay cut spread evenly across all remaining paychecks. In addition, the rate of compensation for full-time faculty teaching summer session courses was reduced. To further reduce the funding gap, $150,000 in Capital Expense Reserve Fee revenues were transferred to the operating budget.

The above expenditure reductions were insufficient for meeting the state funding cut, so the College was forced to raise revenues. This was done through

the introduction of a new consolidated student fee. The origins and development of the Instructional Services Fee (ISF) will be discussed in a later section. To sum up, the FY92 state aid reversion was accomplished as follows:

Measures to Meet FY92 State Aid Reversion	
Cost containment	$1,300,000
Employee furlough	600,000
Summer teaching pay rate reduction	250,000
Capital Expense Reserve Fund transfer	150,000
Instructional Services Fee (ISF)	1,500,00
Total	$3,800,000

The College's asking budget for fiscal year 1993 was the same as the year before, $38.4 million. Initial revenue projections indicated a likely deficit of $1.8 million. To meet this anticipated budget deficit, three strategies were implemented at the beginning of the year. A fourth strategy, elimination of programs and services, served as a contingency plan had the financial situation deteriorated further.

The first strategy was administrative reorganization. Through reallocation of responsibilities, seven administrative positions were abolished. This reduction, from 41 to 34, represented a 17 percent decrease in administrative positions. The positions eliminated were: five deans (of computer and engineering technology, educational development, humanities, science and mathematics, and physical education), and two directors (of admissions and career planning). The reorganization essentially consisted of seven cases of two divisions or offices being collapsed into one (for example, English and humanities, previously with their own dean, were combined into one division).

The reduction in instructional deans was in accord with recommendations that surfaced seven years earlier during the College's self study prepared for Middle States accreditation review. The College's study group on organization, administration, and governance, six of its ten members faculty, recommended in its 1985 report that the role and number of instructional deans be examined, asserting that "reassessment of the role of the deans may result in fewer dean positions." The Middle States visiting team, citing a perceived lack of academic leadership plus faculty "discontent with fragmentation, territoriality, and lack of cohesion," gave "unqualified support" for reducing the number of deans.

However, follow-up discussions on campus, including a forceful written response from one of the deans (subsequently endorsed by several other deans), led to modest changes in responsibilities but no reduction in positions.

The second strategy implemented to meet the projected FY93 deficit was a voluntary resignation incentive program, commonly referred to as the "early out," offered to College employees with a minimum of 20 years of service. Of the 170 employees eligible, 17 or ten percent applied for the program and were approved. Ten faculty, three administrators, and four classified staff received incentive payments equal to half their annual salary in exchange for their early resignation.

The third strategy for FY93 budget planning involved cost savings through "downsizing" efforts implemented by the vice presidents in each area. Though the measures adopted varied by area, common approaches included eliminating vacant positions from the operating budget and reducing hours of operation. Seventeen full-time and ten part-time classified staff positions were abolished.

In addition to the above measures, the College entered FY93 continuing the austerity program of no professional development, no conference travel, a freeze on hiring except positions deemed essential by the President, and no salary improvements. These cost containment measures, combined with implementation of the three strategies described above, produced the following savings to meet the projected $1.8 million deficit:

Measures to Meet Projected FY93 Deficit	
Administrative reorganization	$300,000
Voluntary resignation incentive program	400,000
Area downsizing	800,000
Cost containment	300,000
Total	$1,800,000

Instructional Services Fee

The primary justification for implementing the new Instructional Services Fee, or ISF, was to generate the revenue needed to meet the FY92 budget shortfall created by the state funding reversion. A fee was chosen, as opposed to an increase in tuition, because PGCC's high tuition had become a sensitive political issue. Due to historically low levels of county support, compared to peer

community colleges in Maryland, PGCC's tuition was among the highest in the state--a fact that had become a focal point of some political attacks on the College (Clagett, 1992). Instituting a reform in the College's fee structure enabled the institution to maintain its tuition unchanged at $55 per credit hour. The ISF was also introduced as a simplification of PGCC's increasingly complex set of fees. In addition to registration and student activity fees, the College had--prior to the ISF--271 separate course laboratory fees, a capital expense reserve fee, a natatorium fee, plus three pending fees: an instructional support services fee, an instructional technology fee, and a parking fee. The ISF replaced all but the registration and student activity fees. But there was another motive behind the ISF.

In September 1984, at the request of the vice presidents of instruction and finance, the institutional research office investigated several multi-tiered, cost-based tuition schemes. The proposed differential pricing concept based student charges on the actual cost of providing instruction in different disciplines. The argument was that students pursuing more expensive programs of study should pay more than those taking less expensive courses. The additional revenue generated by students in the higher-priced disciplines would be used to fund the costs associated with them, such as computing time, supplies, and equipment. In this way, programs could be kept up to date by the tuition revenues of the students directly benefiting. Cost-based differential pricing was seen by its proponents as both fair and as not too far removed from the existing pricing scheme which included a variety of course-based laboratory fees. However, the differential tuition idea didn't go anywhere. A major concern was that higher tuition might encourage students to shift to less expensive programs, driving up unit costs in the more expensive programs even further, perhaps to the point that socially-needed programs (such as nursing and allied health) might be terminated due to perceptions of excessively high costs. Not wanting to penalize students for their curriculum choices, plus institutional reluctance to be an innovator in this area ("no one else is doing it"), stopped the idea in its tracks. It took the fiscal crisis of October 1991 to revive the idea in different clothes.

A discipline cost analysis system developed by the Maryland State Board for Community Colleges in 1973 provided the foundation for the new fee. The SBCC programs yield total cost per FTE student for teaching classes in each instructional discipline. Total costs include faculty compensation, additional direct instructional costs such as laboratory supplies, and indirect or overhead costs allocated across disciplines in proportion to their respective shares of total college enrollment. Costs are assigned to individual course sections and then summed to the discipline level. Discipline unit costs are influenced by instructional methodology factors (class size, course contact/credit hour ratios, and supply and equipment costs associated with lecture/laboratory/clinical formats) and institutional history factors, such as discipline differences in the proportional use of adjunct faculty and full-time faculty rank and salary profiles. Representative of discipline costs per FTE in

FY93 at PGCC were $3,107 in remedial mathematics, $3,293 in business management, $3,625 in history, $4,508 in art, $4,893 in chemistry, $5,231 in electronics technology, $5,659 in nursing, and $7,118 in nuclear medicine.

The Instructional Services Fee implemented in Spring 1992 had three levels-- $15, $20, and $25 per credit hour: less expensive lecture courses were assigned the $15 fee, limited-enrollment health technology courses were assigned the $25 fee, with laboratory courses typifying the mid-range at $20 per credit hour. The new fee structure cost a part-time student carrying seven credit hours an additional $91 to $136 per term, depending on the particular courses taken.

Instructional Services Fee (per Credit Hour)		
Level I	Level II	Level III
English	Computer/Info Sys.	Nuclear Medicine
Management	Engineering Technology	Nursing
Math/Engineering	Languages/EFL	Radiography
Criminal Justice	Office Technologies	Respiratory Therapy
Philosophy	Physical Education	
Social sciences	Natural sciences	
Speech		
$15	$20	$25

Approximately 70 percent of the annual credit hours in FY92 were in Level I disciplines, 27 percent in Level II, and three percent in Level III. Despite the increased costs to students associated with the ISF, enrollment in health technology has increased steadily since implementation of the new fee structure.

Recruiting the Non-college-bound

The administrative reorganization and new Instructional Services Fee addressed the immediate financial emergency facing PGCC in 1992-93. A third major proposal was intended to address the longer term financial outlook.

Realizing that constrained public support would continue to exert pressures for higher tuition and fees, the College was concerned about the ability of students to pay and what impact the higher charges might have on enrollment. The ISF had raised student charges to the point that for full-time students taking 15 or more credits PGCC was no longer less expensive than several campuses of the University of Maryland. Unlike the University, PGCC did not have a full-time tuition package but instead charged the per-credit hour rate regardless of the number of hours carried. Thus, while PGCC's per-hour rate was still less than the senior institutions, hours taken above 12 were "free" at the University while they added to the community college student bill at the set per-hour rate. The net result was that PGCC had lost its competitive price edge for full-time students. The old arguments aimed at full-time baccalaureate seekers, such as "come to the community college for your first two years and save money for your junior and senior year," simply were untrue. While full-time students accounted for only a fourth of PGCC's credit headcount, they generated 44 percent of the College's credit hours. Significant losses in full-time students would clearly erode the student revenue base. Finance office projections suggested that student tuition and fees would have to account for half of PGCC's budget by fiscal year 2000. At current enrollment levels, tuition/fee rates would have to more than double to meet this target. The College's administration was concerned about the impact of such increases on both enrollment levels and the institution's mission, particularly its commitment to educational access. How could the College meet its budget forecasts and constrain the rise in student tuition and fees? One answer that surfaced was to increase enrollment. Given its current average class size of less than 20 students, the College could absorb additional enrollment without incurring excessive new costs.

The College's director of recruitment had argued, for over a decade, that PGCC should more aggressively recruit County high school students who were not considering college. He was convinced, through years of working closely with the schools, that a substantial number of students could benefit from what the College had to offer. Such a recruiting strategy, if successful, promised to meet a social need, generate needed enrollment revenue, fulfill the College's access mission, and perhaps promote County economic development by expanding its productive workforce. In addition, data compiled by institutional research had documented that Prince George's County had a low college attendance rate compared to neighboring, peer jurisdictions. To advocates of this strategy, the non-college-bound constituted a natural market for the community college to serve. However, for over ten years, the arguments against this idea had prevailed. Faculty, in particular, were concerned about increasing the number of unprepared and possibly disruptive students. A shift in resources to developmental education would be needed, difficult in a time of fiscal constraint. Increased demand on instructional support services would also require additional funds. Expanding the population of students needing remediation, already a majority, was seen as harmful to the

College's external image. An influx of unprepared students would probably have a negative impact on student outcomes indicators, potentially a public relations problem as accountability measures gained greater visibility. Finally, the non-college-bound segment might be expensive to market, and such recruiting efforts probably had a low probability of success. After all, by definition this group was not interested in college and thus recruiting messages would have a hard time connecting.

The budget difficulties of 1992-93 persuaded many members of the PGCC administration that a strategy to increase enrollment was necessary. The dean of enrollment management, joined by the director of institutional research, made the case in February 1993 that the only market with substantial growth potential was the currently non-college-bound. PGCC already "owned" the part-time market, enrolling the overwhelming majority of County residents attending as part-time undergraduates. The full-time, baccalaureate-seeking market was not promising due to the loss of PGCC's historical price edge, plus aggressive recruitment from senior institutions across the country. (Prince George's County, containing the nation's largest black middle class, was a prime recruiting ground for colleges seeking African-American students.) The case was made that an outreach strategy, aimed at neighborhoods and high schools with low college attendance rates, and incorporating financial aid workshops, should be considered. In addition, the research office had developed a "lifestyle cluster" geo-demographic market analysis system (*PG-TRAK*©) that could help target recruiting efforts (Boughan, 1990). A proposal to use the newly-created *PG-TRAK*© for targeting the non-college-bound in February 1990 had been rejected. Three years later, in different financial circumstances, a similar proposal was adopted. As of November 1993, plans for such a strategy are being developed.

Fiscal Crisis as Catalyst for Reform

The fiscal crisis provided both opportunity and justification for implementing ideas that had been contemplated for a number of years. The reduction in instructional administrators, introduction of a differential student fee structure based on discipline cost analysis, and aggressive marketing of the non-college-bound--all had been proposed and debated but not adopted during the good times. Concepts of merit such as cost-based differential pricing, and tools of value like geo-demographic market research, had lain dormant due either to a lack of critical mass or active resistance by key members of the college community. The severe fiscal crisis precipitated by state funding cuts of unprecedented magnitude provided the catalyst for reforms that, on balance, have been beneficial to the institution. The process of adjustment was difficult and painful. Employees suffered wage reductions and students had to pay more. But the mission of the college was preserved, even enhanced, and the quality of the teaching-learning

experience maintained. Indeed, by emerging a leaner and fiscally stronger organization, the College was able to fund several new initiatives in FY94 while neighboring institutions were still struggling with cost containment programs.

Shadow Plans

The administrative reorganization, new fee structure, and targeted recruiting strategy can be characterized as components of a "shadow" plan that remained hidden from view but was available for implementation at the opportune time. Such a plan differs from the more visible public relations, bureaucratic, and action plans familiar to most planners in higher education.

The public relations plan provides legitimation and the appearance of rational management to external audiences. Attractive college publications describe integrated planning procedures adhering to established timelines, planning committees with wide representation, strategies and institutional priorities based on internal audits and environmental scans. Yet these are typically works of fiction. The reality bears little resemblance to what is portrayed in the pretty shelf documents. Individual offices go about their business often unaware of a collegewide plan, and top-level decisions are made within the president's immediate staff. The "planning process" is largely irrelevant, indulged in by top management only because of its public relations value.

In contrast, the bureaucratic plan is pervasive. Its main function is control, and individual offices are required to participate as part of the budget-building process. Specific staffing and budget requests must be tied to unit goals and objectives, which must be linked to institution-wide priorities. Rather than the few glossy pages typical of a public relations plan, the bureaucratic plan may be incorporated in a thick budget document containing detailed goals and budgets for each campus unit. While the existence of a bureaucratic plan can also serve the legitimation goals of a public relations plan, the internal dynamics are totally different. Everyone is aware of the plan, and much time and effort are devoted to it.

Despite their differences, both public relations plans and bureaucratic plans typically support the status quo. Action plans are different. To facilitate the accomplishment of a major presidential or governing board goal, such as a change in campus mission, major reorganization, substantial resource reallocation, or other fundamental change, a formal planning process may be invoked. What sets action plans apart is an awareness across the campus that real changes will result, that meaningful decisions will be made, and that the formal process at the very least provides an avenue for input. The planning process is a tool used to help move the institution in a new direction, and is usually taken seriously by the participants.

Almost by definition, action plans will be infrequent, as fundamental change is a rare event.

Most observers of higher education can recognize and probably cite examples of public relations plans, bureaucratic plans, and action plans. The concept of a "shadow plan" is new. Shadow plans are not adopted formally, do not appear in planning documents, and in fact are not discussed explicitly on campus. They consist of reform ideas that have surfaced in the past but have not been enacted. A shadow plan is different from an acknowledged contingency plan. To the extent that potential challenges can be anticipated, contingency actions can be incorporated into any of the plan types. What distinguishes a shadow plan is that it remains hidden in the minds of key policymakers. Indeed, calling it a plan overstates its coherence, in that it represents a collection of ideas and reforms held individually by decisionmakers, some of whom are more aware and devoted to certain reforms than others. Typically the reforms have been discussed, debated, and seemingly discarded, in the past. Institutional inertia or outright opposition prevented them from being enacted. But key players remained committed to them, and their eventual implementation only awaited the right opportunity.

A budget crisis can be the catalyst unleashing ideas hiding in the shadows, especially if a plausible argument can be made that their implementation will have a positive fiscal impact. The three cases described above are examples, and raise several questions. Are there ideas "hiding in the shadows" of most institutions? If they have not been adopted during normal times, does it make sense to adopt them in a crisis? Should a deliberate effort be made to bring these ideas to light, to assess their impact in a non-crisis atmosphere? Do public planning procedures and documents have meaning if shadow plans exist?

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